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Hale, William H.

The monetary standard

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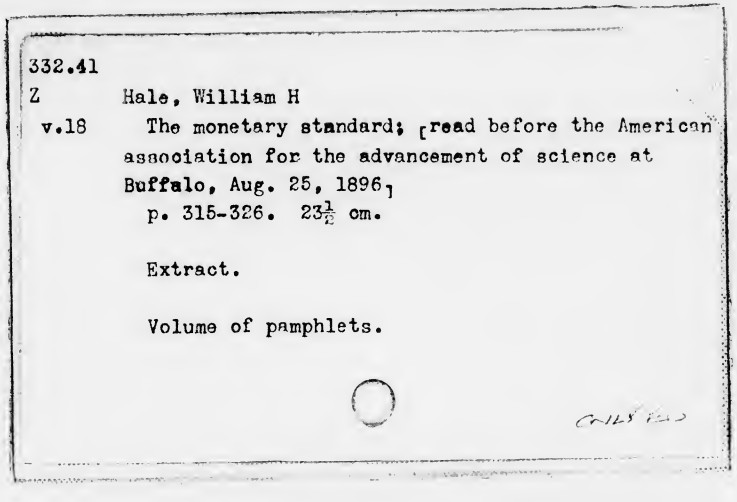

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THE REFORM CLUB
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52 William St., New York.

Read before the American association for the advancement of science at Buffalo, Aug. 25, 1886

THE MONETARY STANDARD.

The unrest of this progressive age would leave no experiment untried which seems to promise improved social and financial conditions. We may smile at the infatuation which inspired the search for the philosopher's stone or the elixir of life, now obsolete vagaries; but the fantastic quest of the alchemist was no more absurd than the faith now firmly held by many a citizen of this republic, and at last made to be the shibboleth of a political party, that the free and unlimited coinage of silver at the ratio of 16 to 1 compared with gold is a panacea for the financial straits which have so long oppressed the community.

Problems of finance, as well as those of chemistry, can only be solved by the scientific method, and that method is too often unknown or ignored in a political caucus. Sociological problems, of course, present peculiar difficulties and complications, but as citizens and rulers of the republic we are bound to give to them our best and most careful study.

The evolution of systems of currency from primitive barter to the complex machinery of modern life is an instructive history, and one which should be made familiar to the people in this political campaign. Progressive civilization, expanding commerce, demand stable and easily handled currency. The autochthones of Greece could settle their exchanges with sheep and cattle; the aborigines of America could swap wampum; the savages of some part of Asia even now, if newspapers can be credited, engage in transactions so petty that a

coinage of bits of gum worth only the ten-thousandth of a cent is current among them; but

> "In the steamship, in the railway,
> In the thoughts that shake mankind,"

comes the necessity of a better, more uniform, and standard medium of exchange.

Such a medium must have the quality of stability, and must be of uniform value, in order to serve as a measure for values of other things. These and other qualities which render it suitable for coinage, and give much value in small compass, have made gold the standard. It is most remarkable that for ages, amid all the mutations of human affairs, and the varying production of mines, gold has remained so uniform in value. It is widely distributed throughout the world, but usually in quantity too small for profitable mining. Another remarkable fact is that improved methods of mining have been found less applicable to gold mining than to that of other metals and minerals, so that the value of gold has not been reduced by decreased cost of production.

This statement has been challenged. It is said that since "the demonetization of silver" in 1873, the gold dollar has been steadily appreciating in value. Elaborate statistical tables, however, such as those compiled abroad by Sourbeck and Soetbeer, and in this country by Roland P. Falker, in 1891, for the Aldrich Senate report, show for some articles an actual increase in price, for many others a decrease of only a small percentage, so that the purchasing power of the gold dollar is by no means so much enhanced as the few startling cases of great depreciation might indicate.

Certain articles have, indeed, declined in

price enormously. These are mostly such products as can be more cheaply made or procured by improved machinery and improved methods, and among the most notable are two which were long so stable as to be regarded as standards of value—silver and wheat. The decline in prices does not include the price of labor generally throughout this country. Edward Atkinson has often pointed out, by careful statistical tables, that the laborer receives an increasing share of an increasing product as his reward for service. How far will a few cents go now in sending a letter or riding on a trolley car, purchasing all the news in a daily paper or procuring substantial fabrics woven in a power loom? Improved farming apparatus adapted to the great plains, together with cheap transportation, aided largely, I believe, by the skill of government and State entomologists in checking insect ravages, and also the powerful competition of vast areas, newly opened up in many foreign countries, have brought wheat to unheard-of cheapness, but meat has not shared in this decline. "Cleveland and dollar wheat" was the motto of Democrats on 'change at the last campaign, but the hope thus expressed proved illusory, as the price has seldom risen above 80 cents, but has fallen below 60 cents.

The decline of silver to about one-half of former prices does not mean appreciation of gold, but decrease in the cost of producing silver and in the demand for it and an increase in the supply.

Improved methods have brought a revolution in silver mining. Large bodies of ore can now be mined profitably with silver at 69 cents an ounce which a few years ago did not pay ex-

penses at $1.29. Take the celebrated Bodie mine as an illustration. Capitalized at $100,000, it did not pay expenses, and was sold for taxes. Subsequently modern machinery took out some $10,000,000 of silver every year for about ten years. Besides the enormous output of the mines, the available supply of silver has been augmented by the partial breaking up of the solidarity of the Orient, where vast stores have been hoarded for ages. The suspension of free coinage by the mint in India was caused by the pressure of supplies accumulating beyond the power of Great Britain, with all her wealth, to resist.

A potent factor which must greatly reduce the demand for silver, is the cheapening of aluminum, a metal intrinsically better for most uses in the arts, both utilitarian and decorative, than silver. The unfortunate avidity with which this "noble metal" absorbs and combines with whatever sulphur may happen to be lurking around in the atmosphere in the form of sulphureted hydrogen, producing a black and unsightly tarnish, greatly detracts from the desirability of silverware; while the bright polished surface of aluminum still retains an undimmed brilliancy after long exposure.

There is also a decrease in the demand for silver to coin; but there is already such an overstock of silver coin, that only by artificial means could a demand for more coin be created. Where, on any system of bimetallism or monometallism, is the arena in which the four or five hundred million silver dollars coined by this country alone since the advent of Blandism in 1878 can find any use for centuries to come?

Statistics show that the circulation of silver dollars in the United States since 1873 has never exceeded one dollar per head. The coin is heavy and uncomfortable to carry, and no means prove adequate to give it extensive circulation.

But it is now proposed to make this depreciated and fluctuating metal a standard of value, and most illogically to make a double standard of gold and silver, with the silver fixed at nearly double its present market value, and it is said that the result will be an immediate appreciation of silver to its former value. Who does not know Gresham's law, that the baser of two kinds of currency drives out the better, because of the hoarding of the latter? A double standard is impossible. Any attempt to raise the value of silver by such a procedure must soon be checked by the enormously increased production which would thus be stimulated.

To intelligent students of political economy these statements seem axiomatic, but there are many uneducated or illogical people who do not see the force of them. A generation has grown up in this country with a monetary system in which all money is good. Notes of wildcat banks and bankers no longer circulate as they did before the war, and the silver dollar or dime, the nickel half-dime, and the bronze cent are all equally good; and, being practically redeemable in gold, they are all as good as gold. Deprive these coins of their gold guaranty, what would ensue? A decline in value to that of the silver, which would then become the standard.

Many intelligent silverites understand this perfectly, and frankly admit their purpose of

lightening the burden of indebtedness under which they are struggling by providing a cheaper coin with which to pay. Such schemes of repudiation have always been favorite devices with royalty. The power that controlled the mint could regulate the weight and purity of the coin; and by successive stages, the pound, which once meant in England a pound in weight of gold, has been reduced to less than a quarter of an ounce. Shall American citizens, because we too are sovereigns, follow that ignoble example? I trust not; I have better hopes for the integrity of government by the people.

Free coinage of silver is the demand of the hour; in other words, the owners of silver bullion want to get, from the Government, coin which is now worth nearly double what their silver is. Why stop at silver? Why not extend the scheme, and give free coinage of nickel and copper? Then, indeed, we might approximate to the beatific state of savages, with coin worth only a millionth part of our present dollar, and debts, instead of being paid by half, might be wiped out with a paltry pile of base metal.

The country has already had some experience in the free coinage of silver. For several years any person could take to the mints silver bullion and have it coined into trade dollars by paying the cost of manufacture of the coin. Most of these coins were exported to China, but they were for a while standard coin of the United States, and legal tender to the amount of five dollars, just as other silver coin. I spent some months at San Francisco in 1876, and several times availed myself of the services of the mint in coining trade dollars. It was

during my sojourn there that the crisis came to this trade-dollar currency.

The failure of that experiment should be pondered well by the politicians who are now so clamorous for free coinage. The United States had not yet resumed specie payments. This means that gold commanded a premium in New York; while in San Francisco, which had never abandoned the gold standard, greenbacks were at a discount. Silver coin of all kinds was also at a discount, but the small silver coins, which contained 385.8 grains of standard silver (nine-tenths silver, one-tenth alloy) to the dollar, were usually worth more than the trade dollar, which contained 420 grains of the same fineness.

In accordance with Gresham's law, the trade dollar was driving out all other currency. Mine owners and other employers paid wages exclusively in trade dollars, ignoring the five-dollar limit provided in the Legal-tender act. Note that it was not the poor laboring class that profited by free coinage that time. The clumsy, bulky coins passed from hand to hand with increasing discontent, till on one Saturday afternoon in May, 1876, a concerted movement among merchants fixed the current value of them at 90 cents. This was, of course, wholly arbitrary and illegal, and it was less than the silver was then worth, but it was effective. The trade dollars were demonetized in spite of the act of Congress, and the first and only system of free coinage of silver on a large scale in the United States ingloriously collapsed! The sequel is well known: how Congress discontinued the coinage, and after many years redeemed the few unmutilated coins then left in

the country, thus making restitution to the few for the wrong done to the many in making a coin manufactured for private individuals a standard coin of the United States.

I have shown how the free coinage of trade dollars proved injurious to the laboring class, because their wages were paid in this depreciated currency. But it is claimed that unlimited free coinage would prove beneficial to them, because they would have more money, and it has even been suggested that while wages would advance as rapidly as the currency depreciated, prices of commodities would not, and the laborer would thus gain a real advantage by being able to purchase more with his money. Experience has shown, however, that wages are the last thing to advance to the level of a depreciated currency. They will ultimately advance, unless the financial convulsion causes such prostration of business as to prevent it; but the first articles to feel the effect of the decreasing value of currency are such commodities as everybody has to buy for daily necessities. This was our experience during the inflation of greenback currency, and the attendant depreciation of its value early in the sixties. The natural tendency of inflation was aggravated by great speculative movements in staple articles of food and clothing, and the wage-earner, with his stipend nominally the same as before, found himself unable to secure the necessities of life in exchange for his earnings. The advance in prices was like the incoming of the tide, wave by wave, with recessions after each, but gradually climbing higher and higher, not reaching the whole beach-line simultaneously, but rushing in faster and farther at some points than at others, yet in the end submerging all. Retailers, having themselves to pay more, were compelled to advance the price of all articles, even those which were not in ordinary times subject to any change whatever from year to year. Ultimately a new scale of prices became established everywhere, except those which were fixed by law, certain rail fares, the fees of public officers, etc. Many speculators grew rich, but the mass of wage-earners were unconsciously robbed till at last the equilibrium between wages and other prices was restored in terms of the debased currency, and then, at last, the wage-earner received what was called two dollars where he had previously received one, but the purchasing power, the real value of the wages, was no greater than before.

This is not the theory of a *doctrinaire*. It is history, a chapter from the experience of the older men of this generation. It is a statement of facts which came under my own personal observation. The evanescent appearance of prosperity which attended some phases of this greenback inflation, was sternly avenged when the cost of the war had to be paid for in many succeeding years, as we are in fact still paying for it, and it is a true presentation of what must be the sequel of the debasement of currency consequent on inaugurating the proposed system of free coinage of silver into coins of the present weight and denomination.

It is a false and fallacious claim, yet one often made with perfervid oratorical pyrotechnics, that free silver will help wage-earners. At that pernicious and anarchistic convention at Chicago, the "boy orator" captured the

nomination for president by sonorous epigrams and he closed his apotheosis of the laboring class with this demand to supporters of the gold standard: "You shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold." How well did this sentiment befit the occasion! No, it was neither cross nor crown, but thirty silverlings that were the traitor's guerdon!

The weight and fineness of our gold coinage has remained always the same, while the weight of silver coin has already several times been changed. The gold dollar weighs 25.8 grains of standard fineness, nine-tenths pure gold, one-tenth alloy, so that it contains 23.22 grains of pure gold. The weight of the first silver dollars was fixed by Hamilton in 1792 at fifteen times this, or 387 grains, of which nine-tenths, or 348.3 grains, were silver. In 1834 the ratio was changed to 16.002 to 1, and in 1837 to 15.988 to 1, usually called 16 to 1, at which it now stands, the vast accumulation of silver dollars coined under the Bland, Allison, and Sherman acts being of the weight of 412.5 grains, of which 371.25 grains are silver. The total coinage of silver dollars prior to 1878 was only $8,000,000.

We have not only the lessons of history and the dictates of logic in support of the gold standard; but, also, the opinions of expert and successful financiers lead to the same conclusion. It is really a powerful argument for a financial measure that it has the unanimous support of the bank presidents of New York City, and the manager of the New York Clearing-house and of nearly all stock and money brokers. It is

demagogism of the worst kind to seek to array the West against these men because they have been successful in business in this country, where the avenues to success are open to all, especially as a large proportion of these men have won their wealth by their own exertions.

It is not more money, certainly not more silver money, which the country needs, but more confidence in the steadfast adhesion of the people to our present excellent gold standard. Senator Daniel, who, by his election as temporary chairman, won the first victory for the silverites at the Chicago convention, in a late paper gives the stock of metallic money on May 1, 1896, as $1,095,558,920, and of paper $1,131,463,606. Another authority gives the entire stock of money in the country in 1873 as $885,000,000, so that the increase in twenty-three years has been nearly 150 per cent., far outstripping the growth of population.

With $199,500,000 worth of gold mined throughout the world in 1895; with a plethora of gold coin at the monetary centers of Europe, where the supply of idle capital is so abundant that the rate of interest in London has fallen to one half and even to one quarter of one per cent. a year, and the price of consols has within a few months risen to unapproached figures, nothing is more senseless than the clamor for more money.

What we need is more confidence in the stability of our monetary system, in the honesty and integrity and in the common-sense of this great and powerful nation.

The unsettling of confidence caused by this free-silver agitation has prompted other nations to demand gold from us which they do not

need. More than this, it has deranged and impaired the credit which for large pecuniary transactions is the real medium of exchange. The wiles of demagogues have thus opened for us a Pandora's box of calamity. Let us close the Pandora's box by a decisive and emphatic condemnation of the financial madness which is now so rampant, and the wealth of nations will again flow into our coffers in streams more copious than that of Pactolus.

WM. H. HALE.

40 Fr. & Rhine
Belgium

[From Bachelor of Arts Aug-Sep. 1896.]

A BACHELOR'S CONGRATULATIONS.

BOMBAY, April 3.

My dear Carrie :
Your letter *did* give me a shock ;
'Tis futile, Time never will tarry,
Because we've been stopping the clock.
I think of you still in your doll-age,
The woman who lived in her shoe ;
And now you have finished with college,
Do 1 and 1 make 1 or 2?

I fancy that you and your hero
This sum will dismiss with a laugh ;
But one of you must become zero,
Or each be reduced to a half.
The serious prospect of pooling
Identity, conscience, and all,
Self-sharing and never self-ruling,
Your uncle would simply appall.

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